



17555 PEAK AVENUE MORGAN HILL CALIFORNIA 95037

MORGAN HILL

FINANCE AND AUDIT COMMITTEE

Morgan Hill Civic Center
West Conference Room
17555 Peak Avenue
Morgan Hill, California

Chair
Committee Member
Committee Member
Staff: Finance Director
Business & Housing Director
Assistant to the City Manager
Assistant Finance Director

Mike Roorda
Hedy Chang
Larry Carr
Jack Dilles
Garrett Toy
Melissa Stevenson Dile
Tina Reza

SPECIAL MEETING

Monday, March 17, 2004

MINUTES

6:20 P.M.

CALL TO ORDER

Chair Roorda and Committee Member Chang; (Committee Member Carr arrived at 6:43 PM)
Staff: Dilles, Toy, Dile, and Reza

DECLARATION OF POSTING OF AGENDA

In compliance with Government Code 54954.2

PUBLIC COMMENTS

The Morgan Hill Finance and Audit Committee welcomes comments from all individuals on any agenda item being considered by the Committee. In the interest of brevity and timeliness and to ensure the participation of all those desiring an opportunity to speak, comments presented to the Committee are limited to Three Minutes.

BUSINESS:

1. Approval of minutes for March 1, 2004

The minutes for March 1, 2004, were approved.

2. Review Revenue Enhancement Options for City Council Consideration (Discussion)

Chair Roorda began the discussion by stating that when the Committee last looked at the list of potential new revenue sources, the Committee was focused on process rather than being focused on any particular new revenue source. Committee Member Chang indicated that she is not in favor of doing anything this November concerning new taxes. Committee member Carr indicated that the City Council has already adopted a plan to increase revenues over a two year period. Chair Roorda indicated that the Committee's objective is to lay out possibilities and the Committee should not be foreclosed from moving toward any option at this point. Committee Member Chang asked when the Economic Development Committee is scheduled to talk about economic development and resulting tax revenues generated for the City. She is not in favor of a new tax until she can see the recommendations of the Economic Development Committee. Committee Member Carr responded that the financial projections have already built in most of the economic development assumptions. Committee member Chang indicated she is looking for an action plan from the Economic Development Committee. Examples of projects to be considered are Ford and Walnut Grove. Chair Roorda indicated that the Committee does need to know how much economic development will be occurring so that the Committee may know how much is needed from new revenues. However, the City needs to move down parallel paths. Committee Member Carr indicated that the Economic Development Committee will be meeting next week, but that they would not be able to come up with an action plan at that meeting. More time is needed. All Committee Members supported waiting to see the Economic Development Committee's report prior to moving ahead with specific revenue recommendations.

Chair Roorda asked if the timeframe before them could be pushed back if the Committee needed more time to determine which recommendations, if any, to make regarding new revenues, and staff indicated that there was a three week cushion.

Staff then took the Committee through the various specific potential new revenue sources listed in the agenda package. Staff responded to various questions and indicated that staff would add information to the list of revenues to clarify the information.

3. Web Posting of Treasurer's Quarterly Report (Discussion)

This item was not discussed.

4. Financial Statements for 2002/03 (previously distributed)

This item was briefly discussed. The committee had no additional questions about the financial statements.

5. Economic Development Return on Investments for General Fund

The Committee discussed what return on investments the City might earn on its General Fund “investments.” For loans, Committee Member Chang indicated that she believes a minimum 5% return per year would be appropriate. This 5% would be the total return, including interest paid to the City by the recipient of a loan and any additional sales tax revenues generated by the recipient of the loan. If the loan were to be repaid over a 10 year period, then the total return would need to be at least 50% (5% times 10 years). Chair Roorda indicated that he believed the loan should be competitively priced: not too high and not too low. Mr. Toy indicated that the City gets approached by two types of loan applicants, the first being those trying to fill their financing gap and the other being those who just want to get benefits from the City.

Regarding grants, Committee Member Chang indicated she would like to see a 100% return to the City through sales taxes within four years. Mr. Toy indicated that the Redevelopment Agency expects to recover the incentive based grant established for Ford, and to be provided over a ten year period, within a four period.

Staff was directed to return with investment guidelines for the investment of General Fund dollars for both business assistance economic development investments and other types of investments, such as productivity investments, so that the Committee may further discuss this topic.

6. Future Agenda Items (Discussion)

None.

ADJOURNMENT: 7:50 P.M.

NOTICE
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